

Michigan Wholesaler Licensing Requirements & General Information

A Wholesale license:

- License issued by the Michigan Liquor Control Commission to purchase beer, wine and mixed spirit drink from licensed suppliers.
- May resell beer, wine and mixed spirit drink to licensed Michigan retailers, and may sell sacramental wine directly to churches for sacramental purposes.
- May not sell or deliver alcoholic beverages to consumers.
- Must hold a “Wholesaler’s” Basic Permit issued by the Alcohol and Tobacco Tax and Trade Bureau (“TTB”), previously known as BATF.
- All individual owners, stockholders, members and partners or wholesale licensed entity must be Michigan residents for at least one (1) year prior to making application.
- Must enter into territory agreement with each of their licensed suppliers.
- May only sell to retailers located in the sales territory assigned by their suppliers.
- May only sell to retailers at prices posted with the Commission.
- May not sell to retailers at a quantity discounts.
- \$300.00 minimum annual license fee covers one licensed delivery vehicle. Additional delivery vehicles are \$50.00 per vehicle. License renews annually on May 1.

How To Apply For A Wholesale License:

All applicants for a wholesale license must submit the following documents:

- **LICENSE APPLICATION** - “Application for New License, or Application of Buyers For Transfer of Ownership or Interest in License” (Form LC-687), executed.
Additional documents as indicated on pages 2 and 3 are required for corporate, limited liability company and partnership applicants.
- **INSPECTION FEE** - A \$70.00 nonrefundable inspection fee is required to authorize the field investigation. (Check payable to “State of Michigan”.)
- **PROPERTY DOCUMENT** – Proposed or executed warranty deed, lease agreement, mortgage, etc., that verifies ownership or control of proposed licensed premises.
Note: Applicant does not have to have control of proposed licensed premises through leasehold or ownership at the time of investigation however will need to provide evidence of control prior to issuance of any license by the Commission.
- **FEDERAL BASIC PERMIT** – “Wholesaler’s” Basic Permit, issued by the Alcohol and Tobacco Tax and Trade Bureau (“TTB”), previously known as the Bureau of Alcohol, Tobacco & Firearms (“BATF”). The Federal Basic Permit does not have to be submitted with the initial application. Issuance of this Permit by TTB will need to be verified prior to the Commission issuing a license. For Basic Permit info contact:
Alcohol and Tobacco Tax and Trade Bureau
550 Main St., Room 8002
Cincinnati, OH 45202
(800) 398-2282
www.ttb.gov

In addition to the preceding documents required by all applicants, **CORPORATIONS** shall

submit the following information per Rule 436.1109:

- Copy of current, filed Articles of Incorporation.
- Current "Certificate of Good Standing" from the state where incorporated, if incorporated outside of this state.
- "Report of Corporate Officers, Directors & Board of Directors" (Form LC-52).
- "Individual Stockholder/Corporate Stockholder Questionnaire" (Form LC-621), completed by each stockholder holding 10% or more stock interest.
- "Limited Partners, Stockholders & Members Statement" (Form LC-38), completed by each stockholder holding less than 10% stock interest.
- All stockholders holding 10% or more corporate stock in applicant corporation will be required to be fingerprinted by local law enforcement agency. Enforcement Investigator will release necessary forms and instruct you to contact local law enforcement agency.

In addition to the LC-687 and other documents required by all applicants, **LIMITED LIABILITY COMPANIES ("LLC")** shall submit the following information pursuant to Rule 436.1110:

- Copy of Articles of Organization and copies of any amendments to the Articles of Organization.
- Copy of Certificate of Authority to do business in Michigan, if the LLC is a non-Michigan LLC.
- Copy of Operating Agreement entered into by members.
- Copy of most recent annual statement filed with the Michigan Department of Consumer & Industry Services, Corporations and Securities Bureau. Newly organized LLC's will not have filed any such document yet.
- "Report of Limited Liability Company Members, Managers and Assignees" (Form LC-52A).
- "Individual Stockholder or Corporate Stockholder Questionnaire" Form (LC-621), completed by each member holding 10% or more of the total interest in LLC. Also, Form LC-621 should be completed for an assignee of a membership interest or a manager with a percentage distribution of 10% or more in the LLC.
- "Limited Partners, Stockholders or Members Statement" (Form LC-38), completed by member holding less than 10% of the total interest in the LLC. Also, Form LC-38 should be completed for an assignee of a membership interest or a manager with a percentage distribution of less than 10% in the LLC.
- All members holding 10% or more interest in LLC and assignees of membership interest or managers with 10% or more percentage distribution will be required to be fingerprinted by the local law enforcement agency. The Commission Enforcement Investigator will release the necessary forms and instruct you how to contact the appropriate agency.

In addition to the preceding documents required by all applicants, **PARTNERSHIPS** shall submit the following information per R436.1111:

- Partnership Agreement (required for limited partnerships).
- “Application for New Licenses or Application of Buyers for Transfer of Ownership or Interest in License” (Form LC-687) completed by each general partner.
- “Limited Partners, Stockholders or Members Statement” (Form LC-38), completed by each limited partner. In the case where the limited partner is a corporation or a limited liability company, an “Individual Stockholder or Corporate Stockholder Questionnaire” Form (LC-621), should be completed by each of the limited partners.
- All general partners will be required to be fingerprinted by local law enforcement agency. Enforcement Investigator will release necessary forms and instruct you to contact local law enforcement agency.

Send all applications to: Michigan Liquor Control Commission
Manufacturers & Wholesalers Section
P.O. Box 30005
Lansing, MI 48909
(517) 322-1415
www.michigan.gov/lcc

Licensing Process:

An investigation for a new license or transfer of an existing license is initiated by the applicant submitting an “Application for New License, or Application of Buyers For Transfer of Ownership or Interest in License” (Form LC-687), and the appropriate corporate, LLC or partnership documents, along with a \$70.00 inspection fee for each license applying for. Upon receipt of this information, the Commission’s Licensing Division will authorize an investigation and forward the file to the Commission’s Enforcement Division. An investigator from the Enforcement Division will contact the applicant; advise them of the documentation necessary to be provided for review; and schedule an appointment with the applicant(s) to conduct the investigation. The investigation will cover a variety of areas including but not limited to: ownership structure; background of individuals; projected cost of the project/transaction; source of finances, including source of any money lender’s finances; present ownership verification; and physical inspection of the facility, if the physical premises is built and available for inspection. Upon completion of the investigation, the investigator will submit a report to the Commission.

The Commission investigator will also release forms and fingerprint cards to the local law enforcement agency. The local law enforcement agency’s investigation is independent of the Commission’s investigation. It is the responsibility of the applicant to follow-up with the local law enforcement agency to ensure that their recommendations are forwarded to the Commission.

The Commission will issue a formal order approving, denying or holding the application for additional information. The applicant will be advised of the Commission's decision, provided with a copy of the Commission’s order and, if approved, provided with a contract for signatures and a check sheet listing any additional requirements or documentation necessary to be submitted to the Commission prior to issuance of the license. If the application is denied, the applicant will have the opportunity to appeal the denial.

Michigan Residency Requirement:

All persons holding ownership interest in a wholesale license (individuals, stockholders and partners) must be Michigan residents. Michigan residency is required for one year prior to making application. Also, all individuals, stockholders, members and partners must be twenty-one (21) years of age or older.

- MCL 436.1601

Interest In Another License:

A wholesaler is prohibited from holding any direct or indirect interest in any other alcoholic beverage wholesale, retail or supplier license. Types of prohibited interest include stock ownership in another licensee; leasing real estate to/from another licensee; interlocking officers or directors; and financial interest in any manner, such as a moneylender, in another license. Wholesalers are allowed to hold more than one wholesale or warehouse license for other locations as long as each license is issued in the same legal entity. Wholesalers may also qualify to hold certain supplier licenses (Outstate Seller of Beer, Outstate Seller of Wine and Outstate Seller of Mixed Spirit Drink), if the license is issued in the same legal entity as their wholesale license.

- MCL 436.1603

License Fee:

The initial wholesale license fee and thereafter the annual renewal fee is \$300.00, which covers one motor vehicle used to deliver beer & wine to retail licensees. Each additional vehicle used for delivering beer & wine to retail licensees is \$50.00 per year. Licenses must be renewed annually. Licensing year is May 1 - April 30. Prorating the licensing fee not allowed. The initial license fee should not be paid with the initial application. If approved, the applicant will be provided with a contract requiring payment of the license fee.

- MCL 436.1603

Salesperson License:

Any person employed by a wholesaler to sell, deliver, promote, or otherwise assist in the sale of alcoholic liquor in this state is required to hold a Salesperson license issued by the Commission. Office staff and warehouse workers who work exclusively at the wholesaler's premises and have no personal contact with retailers or consumers off the wholesaler's premises do not need a Salesperson license. Salesperson's must be 18 years of age or older. Salesperson licenses are \$35.00 for three-year licensing period. Licensed salespersons are prohibited from being employed by a retail licensee on a paid or any other basis. Licensed truck drivers or delivery persons are prohibited from consuming alcoholic beverages while on duty.

- Rule 436.1853

Beer Price Schedules:

Wholesalers who sell beer to retailers are required to file with the Commission in Lansing, a schedule of the net cash prices to retail licensees. A Wholesaler may not sell beer to retailers at other than the price posted with the Commission. The net cash price to retailers cannot be changed without first notifying the Commission in writing of the price change. Post-offs or temporary price reductions to retailers must remain in effect for not less than 180 consecutive calendar days in duration. A Wholesaler must offer post-offs must to all retailers in their market area. A Wholesaler may not sell beer at a quantity discount. A Wholesaler may not charge retailers a delivery fee or any other fee besides the net cash price filed with the Commission.

- Rule 436.1625

Wine Price Schedules:

Wholesalers who sell wine or mixed spirit drink to retailers are required to file with the Commission in Lansing, a quarterly price schedule of the net cash prices to retail licensees. The net cash price cannot be changed without first notifying the Commission in writing of the price change. Post-offs or temporary price reductions cannot be offered for periods of less than 14 calendar days in duration. Post-offs must be offered to all retailers in a market area.

Wholesalers must file prices for any new wine products with the Commission before they may be sold in this state. Wholesalers may charge a split-case fee to retailers. Split-case fees must be at the same per unit rate, shall be nondiscriminatory, and shall not be based on a sliding scale. A Wholesaler may not sell wine at a quantity discount. A Wholesaler may not charge retailers a delivery fee or any other fee besides the net cash price filed with the Commission, except for a split-case fee.

- Rule 436.1735

Quantity Discounts:

Wholesalers are prohibited from selling beer, wine or mixed spirit drinks to retail licensees at a quantity discount. Wholesalers may sell alcoholic beverages to retailers only at prices filed with the Commission. Wholesalers are prohibited from selling below cost.

- Rule 436.1625, Rule 436.1735, MCL 436.2025

Cash Sales:

All sales and purchases of alcoholic beverages shall be for cash only. Wholesalers are prohibited from offering credit terms to retail licensees. Payment by retailers must be made to the wholesaler at the time of delivery by cash or check. Payment may also be made by electronic fund transfer no later than the next business day. Wholesalers are also prohibited from purchasing on credit from their suppliers.

- MCL 436.2013

Aid and Assistance:

Section 609 of the Code, being MCL 436.1609, and Rule 436.1035 prohibit an alcoholic beverage supplier or wholesaler from aiding or assisting any other licensee by giving them anything of value. Further a licensee is prohibited from accepting aid and assistance from another industry member. Basically, alcoholic beverage suppliers are prohibited from giving anything of value to their wholesalers or retailers. Likewise, alcoholic beverage wholesalers are prohibited from giving anything of value to their retailers. This principle is the cornerstone of Michigan's trade practices regulatory structure. It is designed to provide a level playing field for all industry members. Suppliers and wholesalers are prohibited from giving anything of value to retail licensees, including but not limited to: alcoholic beverages, merchandise, furniture, fixtures, equipment, uniforms, cash or loans, labor, etc. While wholesalers and suppliers may provide point-of-sale materials such as posters, banners, table tents, flyers, etc., to retailers promoting their brands and prices, they are prohibited from providing anything that has any secondary use, value or purpose, other than actual advertising value to retailers without prior Commission approval. This same principle prohibits suppliers and wholesalers from providing free advertising, incentive programs, free or discounted product, draft system installation and maintenance, etc. Violations in the aid and assistance statute will result in all participants (retailer, wholesaler and supplier) being cited before the Commission.

- MCL 436.1609, Rule 436.1035

Sales To Employees:

Wholesalers may sell to their own employees who are 21 years of age or older a limit of two (2) cases of 24 x 12-ounce units or its equivalent of malt beverages per week, or one (1) case of 12 x 1-liter units or its equivalent of wine or mixed spirit drink per week.

- MCL 436.1607 (4)

Sales To Churches, Hospitals, Military Installations and Indian Reservations:

Wholesalers may sell and deliver beer, wine and mixed spirit drink to hospitals to be used for patient consumption as prescribed by a physician; may sell and deliver wine to churches requiring sacramental wines; may sell and deliver beer, wine and mixed spirit drink to military establishments; and may sell and deliver beer, wine and mixed spirit drink to the governments of Federal Indian Reservations.

- MCL 436.1607 (4)

Territory Agreements:

Outstate Sellers of Beer, Outstate Sellers of Wine, Outstate Sellers of Mixed Spirit Drink, Manufacturers of Mixed Spirit Drink, Brewers, Micro Brewers, Wine Makers and Small Wine Makers must provide each of their wholesalers with a written territory agreement specifying the brand or brands of beer, wine or mixed spirit drink and the territory in which the wholesaler shall have distribution rights. Wholesalers are prohibited from selling alcoholic beverages to any retail licensee whose establishment is located outside of their assigned sales territories. **The territory assigned for beer, mixed wine drink (wine coolers) and mixed spirit drink (spirit coolers) must be an exclusive. There can be no overlapping sales territories between wholesalers for similar brands of beer, mixed wine drink or mixed spirit drink.** The assigned sales territory for wine does not have to be exclusive. Suppliers may overlap sales territories between wholesalers for similar brands of wine.

- Beer - MCL 436.1401 & MCL 436.1403; Wine - MCL 436.1305 & MCL 436.1307

Monthly Reports:

- *Beer* - Wholesalers of beer are required to submit to the Commission's Lansing office no later than the fifteenth day of the month, one copy of each invoice, debit memo or credit memo received during the previous month.
- *Wine & Mixed Spirit Drink* - Wholesalers of wine and mixed spirit drink are required to submit to the Commission's Lansing office no later than the fifteenth day of the month, a monthly summary report of activity and one copy of each invoice, debit memo or credit memo received during the previous month. A supply of monthly summary reports will be provided to you upon licensure.
- Rule 436.1631, Rule 436.1720

Sale Of Non-Alcoholic Products:

Wholesalers are allowed to sell nonalcoholic beverage products to retail licensees. While the Liquor Control Code and Administrative Rules may not regulate nonalcoholic products, the relationship between alcoholic beverage suppliers, wholesalers and retailers is highly regulated. Therefore, due to the aid and assistance prohibition and other statutes and rules, all nonalcoholic beverage products must be sold for cash only and wholesalers are prohibited from offering anything of value to retail licensees pertaining to nonalcoholic beverage products.

Giveaways & Consumption at Warehouse Premises:

Wholesalers are prohibited from giving away alcoholic beverages of any kind in connection with their business. Wholesalers are also prohibited from allowing the consumption of beer on their wholesale licensed premises.

- MCL 436.2025, Rule 436.1613

Michigan Excise Taxes:

The Commission collects beer, wine and mixed spirit drink excise taxes directly from the licensed supplier, not the wholesaler, on a monthly basis. Sales made to churches, military establishments and Indian Reservations are tax-exempt. Tax rates are as follows:

- Beer - \$6.30 per barrel (1 barrel = 31 gallons)
- Wine - \$0.135 per liter (13 & ½ cents per liter) – wine 16% or less alcohol by volume
\$0.20 per liter (20 cents per liter) – wine over 16% alcohol by volume
- Mixed Spirit Drink - \$.48 per liter (48 cents per liter)

- MCL 436.1301, MCL 436.1409

Product Returns:

Wholesalers are allowed to make a refund or adjustment on beer containers to retail licensees when a keg of beer shows evidence of leakage or when a keg of beer is flat or not salable at the time of tapping. Any other product exchange or adjustment with retail licensees for beer, wine or mixed spirit drink requires prior Commission approval. For the past several years, the Commission has issued an annual order authorizing wholesalers to exchange or make adjustments with retail licensees for specifically approved reasons only. Please contact the Manufacturers & Wholesalers Section for details.

- Rule 436.1633, Rule 436.1735

Delivery to Consumers:

Wholesalers are prohibited from making deliveries to a customer of a retail licensee.

- Rule 436.1215, Rule 436.1035, MCL 436.1609

Sunday Deliveries:

Wholesalers are prohibited from selling or delivering beer to a retail licensee between 12:00 midnight on Saturday and 12:00 noon on Sunday, except to the holder of a Special License issued by the Commission.

- Rule 436.1635

Record Retention:

All licensees are required to maintain all sales, purchase and salesperson expense records for a minimum of four (4) years. Records may be maintained electronically or otherwise as long as a hard copy of the record can be created upon demand.

- Rule 436.1007, Rule 436.1641, Rule 436.1727, Rule 436.1865

Container Deposits:

Beer, mixed wine drink (wine coolers) & mixed spirit drink (spirit coolers) sold in containers of one (1) gallon or less must comply with the Beverage Container Act (Initiated Law of 1976) by requiring a deposit of not less than 10 cents per container when sold to consumers. Containers must be clearly labeled with the name of this state and the deposit amount. “MI” or “MICH” are acceptable abbreviations for Michigan. The wholesaler who sells the returnable containers to their retail customers initiates the container deposit.

- MCL 445.571 – MCL 445.576

Samples:

Wholesalers are allowed to sample their products with on-premises or off-premises retail licensees and the retailer's employees. Sample tastings may not be offered to consumers. All containers used to sample products with retailers must be marked with the word "Sample" with lettering at least ½-inches high. While wholesalers may offer tasting samples from multiple beverages, only one (1) sample container of 750 ml size or smaller may be left with a retail licensee for sampling by the retailer and their staff. Again, the container must be marked "Sample". A sample container must be removed from the premises within 24 hours and again may not be sampled by consumers.

- Rule 436.1001, Rule 436.1421, Rule 436.1511, Rule 436.1513, Rule 436.1863

Purchasing Drinks For Consumers:

- *Wine, Mixed Spirit Drinks & Spirits:* A licensed Salesperson of spirits or wine, for promotional purposes, may purchase one (1) drink for each customer of an on premises retail licensee only. The drink shall be purchased from the on-premises licensee and shall be of a brand represented by the salesman.
- *Beer:* A licensed Salesperson of beer, for promotional purposes, may purchase one (1) drink for one customer of an on premises retail licensee only. The drink shall be purchased from the on-premises licensee and shall be of a brand represented by the salesman.
- Rule 436.1865

Inspection of Premises and Books & Records:

A licensee must make the licensed premises available for inspection and search by a Commission Investigator or any law enforcement officer empowered to enforce the Commission's rules and code during regular business hours or when the premises is occupied. The Commission or its duly authorized agent may examine the books, records or papers of a licensee.

- MCL 436.1217, Rule 436.1645

How To Contact TTB:

For Basic Permit info contact:

Alcohol and Tobacco Tax and Trade Bureau ("TTB")
550 Main St.
Room 8002
Cincinnati, OH 45202
(800) 398-2282
www.ttb.gov

How To Contact The Michigan Liquor Control Commission:

Questions relating to Wholesale and other non-retail licenses may be directed to:

Michigan Liquor Control Commission
Manufacturers & Wholesalers Section
P.O. Box 30005
Lansing, MI 48909
(517) 322-1415
(517) 322-5046 (fax)
twhite@michigan.gov
www.michigan.gov/lcc